

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1797-04
Bill No.: HCS for HB 654
Subject: Public Service Commission: Utilities
Type: Original
Date: April 10, 2009

Bill Summary: Modifies provisions related to utilities

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$126,715)	(\$153,531)	(\$158,139)
Total Estimated Net Effect on General Revenue Fund	(\$126,715)	(\$153,531)	(\$158,139)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

Officials from the **Office of Administration - Administrative Hearing Commission** state this proposal will have no fiscal impact on their agency.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

§393.1016; 393.1017; 393.1018 - Rate adjustments for costs of infrastructure replacement projects

Officials from the **Public Service Commission, Department of Transportation, Department of Natural Resources**, and the **Department of Revenue** state this proposal will have no fiscal impact on their respective agencies.

In response to identical legislation (HB 1016 - FN 2170-01), officials from the **Office of Administration - Division of Budget and Planning** stated this proposed legislation should not result in additional costs or savings to their division.

Also in response to HB 1016, the **Missouri State Tax Commission** stated this proposal would have no fiscal impact on their agency.

According to **Officials from the Department of Economic Development - Office of Public Counsel (OPC)**, the new procedures established by this proposed legislation would allow electric utilities to impose surcharges (in a process separate from and in addition to the current rate case process) for transmission and distribution projects. The proposal allows each electric

ASSUMPTION (continued)

utility to file for such surcharges twice a year.

Within 120 days after an electric utility requests a surcharge, the PSC will be required to conduct a case (in which OPC would participate) and determine whether to authorize the surcharge. In order to have the public interest adequately represented in these surcharge cases, OPC must be able to fully participate. OPC would need an engineer to evaluate utilities' construction plans and construction execution and an additional accountant to audit the books and records relating to construction and the surcharge requests.

§393.1124 - Missouri Energy Efficiency Investment Act

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this section will have no fiscal impact on their respective divisions.

Officials from the **Department of Natural Resources** do not anticipate a direct fiscal impact to their agency resulting from this proposed legislation.

Oversight assumes the provisions of this proposal are permissive and customers may elect not to participate in demand-side measures offered by an electrical corporation. **Oversight** also notes that the cost recovery provisions outlined in this proposal will not be permitted unless the program is beneficial to all customers in the customer class in which the programs are proposed, therefore, the proposal should provide a positive fiscal impact to local political subdivisions participating in the program. For fiscal note purposes only, **Oversight** will assume that the unknown energy efficiency benefits would exceed the unknown costs attributed to cost recovery provisions.

§660.122 - Utilicare assistance

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** and the **Department of Social Services - Family Support Division** state this section of the proposal will have no fiscal impact on their respective agencies and divisions.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost</u> - Office of Public Counsel - Personal Services			
Salaries (2 FTE)	(\$78,538)	(\$97,072)	(\$99,985)
Fringe Benefits	(\$38,193)	(\$47,206)	(\$48,623)
Equipment and Expense	(\$8,984)	(\$9,253)	(\$9,531)
Total	<u>(\$126,715)</u>	<u>(\$153,531)</u>	<u>(\$158,139)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$126,715)</u>	<u>(\$153,531)</u>	<u>(\$158,139)</u>
Estimated Net Effect on FTE for General Revenue	2 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2010 (10 Mo.)	 FY 2011	 FY 2012
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - Energy costs due to energy efficiency programs (§393.1124)	Unknown	Unknown	Unknown
<u>Cost</u> - Energy costs due to cost recovery allowed by utilities (§393.1124)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Cities - Increased rates due to surcharge (§303.1017; 393.1018)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT - Small Business

This proposed legislation may affect electric rates for small businesses. (§393.1017; 393.1018)
Some small businesses that elect to participate in this program should see a net positive fiscal impact due to savings due to energy efficiency programs exceeding energy costs due to cost recovery provisions allowed by utilities. (§393.1124)

FISCAL DESCRIPTION

§393.1016; 393.1017; 393.1018 - Rate adjustments

This portion of the proposed legislation allows an electric corporation to file a petition and proposed rate schedules with the Missouri Public Service Commission (PSC) to establish or change infrastructure system replacement surcharges (ISRS) rate schedules that will allow for the adjustment of the corporation's rates and charges for the recovery of costs for eligible infrastructure system replacements.

The proposal specifies the procedures for the application and hearing as well as the accounting methods and procedures to be used for the surcharges.

§393.1124 - Missouri Energy Efficiency Investment Act

The Public Service Commission (PSC) must allow electric companies to implement and recover costs related to PSC-approved energy efficiency programs. Cost recovery shall only occur when the program has been approved by the PSC, the program results in energy savings, and the program is beneficial to all customers in the class for which the program is proposed. In determining recovery of costs, the PSC shall use a cost-effectiveness test as described. The proposal allows the electric companies to implement certain programs that are paid for through alternate measures even if the programs do not meet the cost-effectiveness test.

The PSC may develop cost recovery methods to encourage further investments in energy efficiency programs, which may include capitalization of investments, rate design modifications, accelerated depreciation, allowing the company to retain a portion of the net benefits for its shareholders, and a cost adjustment clause. The PSC shall fairly apportion the costs and benefits of energy efficiency programs to each customer class except that it may reduce or exempt costs to low-income classes.

Customers may elect not to participate in an electric company's energy efficiency program and not be charged for the associated costs provided the customer meets certain criteria.

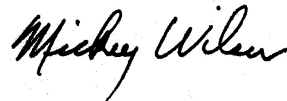
FISCAL DESCRIPTION (continued)

Electric companies must annually report on their energy efficiency activities under the proposal, with requirements as listed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Department of Revenue
Missouri Tax Commission
Department of Transportation
Department of Natural Resources
Office of Secretary of State
 Administrative Rules Division
Office of Administration
 Division of Budget and Planning
Office of Administration
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Social Services
 Family Support Division



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